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This research is formulated in the context of increasing global recognition that creative industries are becoming progressively more important components of modern post-industrial knowledge-based economies. As momentum builds to prioritize this field of activity within economic development policies, the need for a more encompassing creative industries theoretical underpinning is becoming crucial for its understanding and competitive development. Therefore, the paper highlights that, despite the recent, rising tide of interest, even the most basic terminology is unsettled. We start by emphasizing the determinants of creative industries' development. We then draw particular attention on how the literature defines this sector and provide a proposition for a conceptual framework. We conclude with some implications suggested by these analyses.

Keywords: creative industries, creative sector, knowledge-based economy

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1. Introduction

Creative industries have grown considerably over the past century, with the most rapid and scattered expansion occurring throughout the past two decades. A hundred years ago, at the dawn of the 20th century, fewer than 10% of working people were employed in the creative sector of the economy. Less than 15% of the workforce was engaged in such activities in 1950. But over the past two decades, creativity has become the driving force of the world economy and the creative sector has exploded.

Today, from between 25% to more than 30% of workers in the advanced industrial nations work in the creative sector of the economy, engaged in science and engineering, research and development, technology-based industries, in the arts, music, culture, aesthetic and design industries, or in the knowledge-based professions of health care, finance and law.

Indeed, in the last few decades the world has undergone considerable economic and social structural changes. The shift that Marx chronicled, from an agricultural to an industrial capitalist system, that substituted one set of physical inputs (land and human labor) for another (raw materials and physical labor), is now followed by a new type of transformation, which is fundamentally based on human intelligence, knowledge and creativity.

This research is formulated in the context of increasing global recognition that creative industries are becoming progressively more important components of modern post-industrial knowledge-based economies. Not only are they thought to account for higher than average growth and job creation, they are also vehicles of cultural identity that play an important role in fostering economic, social and cultural diversity. During the last decade a number of governments around the world have recognized this fact and started to develop specific policies to promote them.

This mainstreaming of what was once considered a sector of marginal interest, which received limited attention from researchers, has led, in the developed countries, to a growing body of

analysis, statistics and mapping exercises on the relationship between culture, creative industries and economic development. However, the sector is still poorly understood and scientifically documented, and many governments, especially in the developing countries, remain to be convinced of its potential to stimulate national competitiveness.

As momentum builds to prioritize this field of activity within economic development policies, the need for a more encompassing creative industries theoretical underpinning seems compulsory for its understanding and competitive development.

Hence, in the remainder of this paper, we highlight how, despite the recent, rising tide of interest, even the most basic terminology is unsettled. We start by emphasizing the determinants of creative industries development. We then draw particular attention on how the literature defines this sector and provide a proposition for a conceptual framework. We conclude with some implications suggested by these analyses.

2. Determinants of the Creative Industries Development

The focus on creative industries in national or regional competitive strategies has been attributed to the demise of a Fordist mode of production, which was centered on cost imperatives and secured through a national, Keynesian regulatory regime. With integrated international markets and the advent of new technologies, there has been a search for new sources of competitive advantage. And the critical ground for new forms of competition has been an economy in which creativity and innovation play a prominent role (Lash and Urry, 1994).

A number of studies have highlighted the economic significance of creative industries in late capitalism, documenting their contribution to employment, value-added production, and exports (Markusen and Schrock, 2006; Power, 2002). Recent studies have also acknowledged that a number of trends crystallized during the second half of the twentieth century and are likely to persist well into the twenty-first, determining both the rise in interest and the development of creative industries, now officially endorsed as a policy shift even in the developing world (Wyszomirski, 2002).

First, with the rural sector accounting for an ever-smaller share of GDP, the drivers of growth are mainly urban activities.

Second, the urban sector is now dominated by service activities that together account for three quarters or more of urban GDP in most countries. In the core areas of mega-cities, services are virtually the only employers, with manufacturing having moved to suburbs and edge cities.

Third, the fastest expanding component of this urban services sector is composed of a number of business services and creative industries with high value added. In the former category, marketing, financial, legal, and accounting services are included. The latter category comprises the more information technology-intensive activities such as design, publishing, multimedia, software development, video entertainment and movie making.

Fourth, a steady decline in transport costs and a continuing shift in the mix of products consumed—towards lighter items of higher value—is beginning to negate the desirability of dispersing urban centers and of locating urban centers close to natural resources. These trends could lead to a greater concentration of the population in a few, geographically favored and polycentric urban areas (clustering).

Fifth, in the high-income countries and to an increasing extent in the middle-income ones as well, up to one third of GDP growth derives from rising total factor productivity. These gains in productivity are the result, by and large, of product, process and functional innovations allied with improvements in the management of firms in the effective assimilation of information technology, and in allocative efficiency across the entire economy (Greenaway et al., 2002; Lawrence and Weinstein, 2001; Levine, 1997).

Sixth, the pace of innovation is directly associated with the supply of skilled workers, a rising proportion of whom work for the creative industries, with the scale and quality of university

infrastructure, with investment in research (Lederman and Maloney, 2003), and with the focused acquisition of innovative capability in selected areas.

Seventh, and finally, urban centered growth is powerfully facilitated by a liberal yet effective regulatory framework that promotes competition, combined with institutions that protect economic rights.

These determinants of creative industries expansion in the early twenty-first century demand a fresh approach to development. While global competition in the creative economy is a wide-open game, its key element is no longer the trade of goods and services or flows of capital, but the competition for people. This research starts from the premise that the economic leaders of the future will not likely be emerging giants like India or China that are becoming global centers for cost effective manufacturing and the delivery of basic business processes. Rather, they will be the nations and regions within nations that can best mobilize the creative capacities of their people and attract creative talent from around the world.

3. Conceptual Underpinnings of the Creative Industries

The shift towards a knowledge- and service-based economy thesis continues to provide the main dimension of the obligatory background for the analysis of the creative industries. The *locus classicus* of these ideas is represented by Bell's work, who lays out the argument that the profit centers of the economy are shifting away from mass-produced goods and towards services and information.

The formal origins of the creative industries terminology are in the UK Government's establishment of a Creative Industries Task Force, in 1997. Since then, the standard definition – in terms of activities which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property – has not changed drastically (Howkins, 2001; Hartley, 2005; Cunningham, 2006).

The creative industries are defined in this approach in terms of an industrial classification. Although there have been many critiques of this course of action (Roodhouse, 2001; Florida, 2002; Hartley, 2005), the broad notion that an industrial classification should proceed on industrial lines is seemingly on firm foundation.

Creative industries fit uneasily into this framework. First, because they determine a reconfiguration of the boundaries between non-material activities and industry, by implying organizational and genealogical links across such fields as advertising, design, architecture, visual arts, crafts, performing arts, fashion, film, interactive games, music, television, radio, publishing, research and development, software. Second, because the standard industrial classification system was developed over half a century ago when the economy could be categorized by the type of industrial activity in which a firm is engaged and the nature of its material inputs and outputs. Since then, however, the economic system has become considerably more complex and service-oriented (Beinhocker, 2006; Foster 2006). Consequently, creative industries represent a loose concept that can benefit from analytic anchors.

We therefore propose that a more encompassing theoretical foundation for the creative industries can be provided. This paper argues that the conceptual confusion derives from two primary sources: (1) the implicit use of different definitional criteria for determining which activities are to be encompassed within the creative sector, and (2) the conflation between seeking to establish a baseline or benchmark for measuring effective development and striving to construct a conceptual framework for the design and implementation of development policy initiatives.

The intent here is to explore both theory and experience to provide a range of definitional choices.

After thoroughly reviewing and integrating an extensive body of research and policy, four definitional approaches emerge, each representing a distinctive focal point for assessing the

characteristics of the sector: (1) product/service, (2) producing organization, (3) central production process and (4) occupational/workforce groups.

The product/service perspective poses two different challenges: (a) the dual nature of creative products as simultaneously private consumer goods and as public collective goods and (b) the debate over which products are to be considered similar. As to the first question, finding ways to describe, categorize, and measure the “public good” value of arts activities and creative products has tormented economists, sociologists and policy analysts. On the one hand, a general consensus has emerged that the full value of the arts and culture is not captured by economic assessments of their status as consumer goods, their price, or profitability. In contrast, neither a conceptual consensus nor satisfactory methods have emerged for expressing the non-economic, or cultural, value of artistic products or creative services. As to the second concern, Caves points out that creative products exhibit an “infinite variety” and can be differentiated from one another both vertically and horizontally (Caves, 2000). This variability has many implications for the actual production and consumption of creative products, offering a universe of choices and asserted distinctions to creators, consumers, and policymakers.

The producer/supplier perspective seems to employ different terms for essentially equivalent production clusters. While creative corporations operating in the commercial area are commonly referred to as “industries” (e.g. the publishing industry), those operating as nonprofit or subsidized organizations refer to themselves as “fields” (e.g. the museum field). On one hand, this means that this definitional perspective tends to artificially separate what might otherwise be considered inter-related components of single industries (for example, commercial theater is often regarded as separate and distinct from subsidized theatre, yet it is obvious that they influence and inter-relate to one another; only the former is included in statistics on the copyright industries). On the other hand, the clustering of nonprofit arts organizations in juxtaposition to the entertainment industries has meant that each identifies itself as producer/supplier of different types of creative goods and services.

The production process perspective has the process of creativity as a defining characteristic. This is evident in the term “creative industries” itself and in the recent trend towards the allocation of public funding depending on excellence in creativity (Wyszomirski, 1999). However, there are other potentially defining processes to be considered. Certainly in the heritage industries, preservation would seem to be the core production process. Alternatively, Richard Caves has suggested that risk-taking and risk management may be another defining characteristic shared by both commercial creative industries and nonprofit artistic fields (Caves, 2000; Hodsoll, Arthurs and Lavine, 1999).

The workforce perspective exhibits a number of unresolved issues. First, few individuals in these occupations would consider themselves part of a common workforce (Venturelli, 2001). Second, the difficulty of determining the characteristics of a broad creative workforce may have been exacerbated by the use of common, existent analytical occupational categories. Third, within each occupational group, there are many sub-categories where workers tend to locate their occupational identity, which makes it difficult to envision a single, broad, interdependent workforce and, in turn, impede constructive efforts to cultivate this workforce as a matter of explicit policy or planning. Fourth, individually none of these occupations has sufficient mass necessary to attract sustained economic or political attention. Without some aggregate construct, it is difficult to generate the kind of attention and understanding necessary to gain the awareness of policymakers and to inform debate about what measures might support and advance the creative industries both collectively and separately (Jeffcutt, 2001).

4. Concluding Remarks

Evolutionary economists have long argued that economic growth is caused by the growth of knowledge. Cultural economists have long argued that the creative arts, broadly conceived, produce knowledge. The concept of creative industries puts these two observations together.

What has been added in this paper is the further observation that this takes place in a multifaceted context, with specific product/service characteristics, production process organization, workforce and producer/supplier structure and behavior.

We have argued that creative industries are not well defined as a set of *industries*, as in the standard definition. The hypothesis has been that these definitional problems stem from the fact that cultural industries differ from many other types of industries in fundamental and important ways: few other industries generate products that possess not only public and private economic value, but also, as Throsby argues, cultural value along a number of dimensions (Throsby, 2001); much of the critical infrastructure of the producing “firms” and creators is external to these organizations and individuals; the occupations of the creative sector are unevenly professionalized and have little shared identification, either with one another or as part of a broad industrial or sectoral construct.

Our implicit proposal has been that rather than relying on any single perspective to establish the parameters of creative industries, a comparative application of each defining perspective may result in a composite, and therefore more accurate map than any single perspective can produce.

An encompassing theoretical underpinning for creative industries economics can advance towards a generalized re-conception of the *creative economy* as distinct from the ‘information society’ or ‘knowledge economy’ and as not just another public goods sector, but as essential to the process and structure of economic and socio-cultural evolution.

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